

DRAFT ENVIRONMENTAL REVIEW
of the
Proposed
Agreement on the Establishment of a Free Trade Area
Between the Government of the United States and the
Government of the Hashemite Kingdom of Jordan



Office of the United States Trade Representative
September 2000

EXECUTIVE SUMMARY

This draft environmental review was prepared pursuant to Executive Order 13141 – Environmental Review of Trade Agreements, 64 *Fed. Reg.* 63169 (Nov. 18, 1999), by the Office of the U.S. Trade Representative (USTR) through the Subcommittee on Environment and Natural Resources of the Trade Policy Staff Committee (TPSC). Section 4(a)(ii) of the Order requires reviews of the environmental effects of bilateral or plurilateral free trade agreements, such as the proposed U.S.-Jordan Free Trade Agreement (FTA). The Order states that “[t]rade agreements should contribute to the broader goal of sustainable development,” and that “[e]nvironmental reviews are an important tool to help identify potential environmental effects of trade agreements, both positive and negative, and to help facilitate consideration of appropriate responses to those effects whether in the course of negotiations, through other means, or both.”

This draft review was conducted under an atypical set of circumstances. These included a compressed negotiating timetable due to foreign policy objectives, minimal economic impacts in the United States, and the need to conduct the review before the finalization of the guidelines for implementing Executive Order 13141.

Through qualitative analysis of 16 sectors selected on the basis of trade flows and industry input¹, and

¹The USITC conducted qualitative analysis on the following 16 sectors: live animals, animal and vegetable oils and fats, cereals (wheat, rice, and corn), electronics, fertilizers, citrus fruit and juices, nuts, iron and steel mill products, jewelry, machinery and transportation equipment, crude petroleum, pharmaceuticals, phosphates, potash, textiles and apparel, and vegetables.

quantitative (partial equilibrium) analysis of three categories of U.S. exports to Jordan², the U.S.

International Trade Commission (USITC) found that the FTA would have no measurable impacts on total U.S. imports, total U.S. exports, U.S. production, or U.S. employment.

The U.S. Government (USG) expects that the FTA with Jordan will not have any significant environmental effects in the United States. While it is conceivable that there may be instances in which environmental effects are concentrated regionally or sectorally in the United States, the USG could not identify any such instances.

With respect to the FTA's transboundary and global environmental effects, in determining the scope of the U.S. environmental review, the USG considered the agreement's potential effects on laws and regulations, water resources and quality, air pollution and greenhouse gas emissions, coral reefs, trade in endangered species, migratory birds, and protected areas. Based on a number of considerations, including the Government of Jordan's (GOJ's) commitment to conduct its own review of the environmental effects of the FTA in Jordan and the Middle East region, including on water, air, industrial activity (which could affect greenhouse gas emissions), coral reefs, and environmental laws and regulations, the USG focused on the transboundary and global effects of the FTA on trade in endangered species, migratory birds, and protected areas. The USG is not aware of any evidence that

²The USITC conducted quantitative (partial equilibrium) analysis on the following three categories of U.S. exports to Jordan: cereals (other than wheat), electrical machinery, and machinery and transport equipment.

would suggest that the proposed FTA provisions would have a significant negative environmental effect on Jordan's record on trade in endangered species, or on migratory birds or protected areas.

The U.S. review of the FTA included consideration of whether the agreement would affect the ability of the USG to establish and enforce its environmental, health, and safety laws. The review found that the proposed FTA includes provisions that help to maintain the USG's current legal and regulatory discretion in the area of environmental protection. Moreover, the proposed FTA encourages the Parties to improve their environmental protection regimes. As FTA negotiations proceed, the USG will continue its focus on the need to preserve its ability to maintain strong environmental laws and regulations and an effective process for enforcing them.

The analysis done in the U.S. and Jordanian review processes, as well as the exchanges between the environmental negotiators, contributed to the identification of environmental opportunities. Specifically, the Parties are discussing a U.S.-Jordanian initiative outside of the FTA on technical environmental cooperation that will advance the two countries' shared environmental protection goals.

BACKGROUND ON THE FTA AND JORDAN

Objectives of the Proposed FTA

On June 6, 2000, President Clinton and Jordan's King Abdullah II announced that the Governments of the United States and Jordan would enter into negotiations on a bilateral FTA.

President Clinton's decision to enter into FTA negotiations with Jordan was motivated by a desire to bolster the Middle East peace process and to spur economic growth and stability in the Middle East by supporting the economic reforms that King Abdullah II has implemented in Jordan.

Jordan is developing as an emerging market in the Middle East region. Despite regional political uncertainties affecting economic development in Jordanian strategic sectors, the GOJ has been liberalizing and opening its economy. Such liberalization was reflected in the commitments Jordan made in its accession to the World Trade Organization (WTO) in April 2000.

In commencing negotiations on a U.S.-Jordan FTA, the Executive Branch was acting in accordance with the wishes of more than 65 Members of the U.S. Congress, both Republican and Democrat, including the Leadership, who share the Administration's foreign policy objectives with respect to Jordan and the Middle East. Because of the Administration's wish to contribute in the short term to the peace process, and the support voiced by many members of Congress to

conclude the FTA as soon as possible so as to achieve this goal, the USG used an expedited time table for both the negotiation of the agreement and the development of the environmental review.

Proposed Agreement Provisions

As the FTA negotiations with Jordan are ongoing, the provisions in the agreement are still under discussion, and thus, cannot be described with complete specificity in this draft of the U.S. environmental review.

The volume of trade between the United States and Jordan is very small, relative to U.S. global trade and the size of the U.S. economy; therefore, the provisions in the proposed FTA are not complex.³

Through the FTA, the United States and Jordan intend to eliminate duties and commercial barriers to bilateral trade in products originating in the two countries. The FTA also is expected to include provisions addressing trade in services, intellectual property rights protection, safeguards, electronic commerce, balance of payments, rules of origin, trade and environment, trade and labor, exceptions, and procedural matters such as consultations and dispute settlement. The draft FTA does not include an investment chapter.

³In 1999, U.S. goods exports to Jordan were valued at \$276 *million*, compared to U.S. goods exports to the world valued at \$696 *billion*. For the same year, U.S. goods imports from Jordan were valued at \$31 *million*, compared to U.S. goods imports from the world valued at more than \$1.0 *trillion*. Nearly \$19 million of this \$31 million is accounted for by goods -- primarily, aircraft parts -- that are exported from Jordan to the United States, repaired, and then exported back to Jordan.

Specifically, the agreement is expected to result in the phased elimination of existing tariffs on bilateral trade⁴ in accordance with WTO principles governing the operation of FTAs. The starting point for tariff reductions of both Parties will be current applied tariff rates, so the staged reduction in duties will provide commercially meaningful market openings over the course of the staging period. Transitional tariff-rate quotas will be established for certain U.S. agricultural products, with quantities expanding as over-quota tariff rates are reduced. For services trade, the commitments between the USG and the GOJ are expected to be based on the obligations and concepts of the WTO General Agreement on Trade in Services (GATS). The Governments of the United States and Jordan are expected to make commitments in the FTA on market access and national treatment, as those terms are understood in the GATS. The proposed text will ensure that the relevant GATS exceptions (and any future exceptions) and qualifications apply to the Parties' commitments in those areas.

The obligations contained in the intellectual property section of the FTA are expected to build upon commitments that Jordan made under the WTO Agreement on Trade-Related Intellectual Property Rights (TRIPS), and on the commitments Jordan made at the time it acceded to the WTO. The FTA is

⁴The average tariff rate for the United States is between 3 and 4 percent. Over 80 percent of U.S. tariff lines have rates between 0 and 10 percent. Less than 5 percent of U.S. tariff lines have rates above 20 percent. The average tariff rate for Jordan is about 15 percent. Jordan's tariffs generally fall within 5 rates between 0 and 30 percent. As part of the commitments Jordan made in its accession to the WTO, the GOJ will phase in lower duties for many products, including by eliminating duties on items covered by the Information Technology Agreement by 2004, and by achieving the 0, 5.5, and 6.5 percent rates provided for by the chemical tariff harmonization initiative. This was a Uruguay Round initiative that now is part of our WTO and Asia Pacific Economic Cooperation forum (APEC) agendas, pursuant to a directive in the Statement of Administrative Action for the *Uruguay Round Agreements Act*.

expected to commit Jordan to ratify or accede to the World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Performances and Phonograms Treaty, to which the United States is a party, and to implement these treaties by making necessary changes to Jordanian law. These treaties supplement the substantive standards for protection in the TRIPS Agreement and take into account the advent of the Internet. Under the FTA's proposed enforcement provisions, levels of protection for intellectual property will be extended to meet the enforcement challenges presented by advances in technology and the new global electronic commercial market. Additional proposed intellectual property obligations in the FTA are aimed at ensuring adequate protection for trademarks, including well-known marks, and availability of patent protection for high-tech inventions.

As mentioned above, the U.S. and Jordanian Governments also are discussing provisions on trade and environment and trade and labor. The Parties are discussing including trade and environment provisions in the body of the FTA. These proposed provisions are based on certain environmental principles, which draw upon language in the North American Free Trade Agreement (NAFTA) and in the North American Agreement on Environmental Cooperation (NAAEC). These principles are sustainable development; maintaining high levels of environmental protection and improving such levels; not lowering environmental standards to promote trade; and effective enforcement of environmental laws and regulations. The environmental elements under discussion also include a technical cooperation initiative, which includes the establishment of a U.S.-Jordanian forum for ongoing discussion of environmental issues. Finally, the two Parties are discussing how to infuse more transparency into their procedures on trade matters, including through provisions on transparency and public input on issues

relating to the implementation of the FTA.

The United States and Jordan also have discussed including trade and labor provisions in the body of the FTA, including provisions on not lowering labor standards to promote trade, reaffirming their commitments in the 1998 International Labor Organization Declaration on Fundamental Principles and Rights at Work and its Follow-up, and on the effective enforcement of national labor laws. In addition, the two governments have explored cooperation on labor matters.

The proposed FTA establishes a “Joint Committee” composed of the Jordanian Trade Minister and the U.S. Trade Representative, or their designees. It is envisaged that the Joint Committee will meet in regular session each year, and at any time agreed upon by the Parties. The Committee is expected to provide a context for consultations on issues arising under the FTA and also will serve as the first stage of dispute settlement.

Finally, the proposed agreement contains provisions on exceptions from the FTA obligations, including exceptions for the protection of human, animal, or plant life or health; conservation of living and non-living exhaustible natural resources; taxation measures; national security; and other reasons. The FTA exceptions language is based on exceptions language in the NAFTA, Article XX of the General Agreement on Tariffs and Trade (GATT) 1994, and Article XIV of the GATS.

Information on Jordan

(For background on Jordan's geography, environment, and economy, see Annex 1.)

Record on Environment

In 1991, Jordan was the first country in the Middle East to complete a national environmental strategy, which included a detailed assessment of the Jordanian environment and an environmental protection plan. Jordan followed up on the strategy with a five-year national economic and social development plan (1993-1997), which prioritized environmental issues and identified environmental challenges for the 1990s. In 1995, the GOJ published a national environmental action plan that further defined environmental problems and identified specific actions to address these problems.

In 1995, Jordan enacted *Environmental Protection Law No. 12* to consolidate national environmental protection authority under a new government entity called the General Corporation for Environmental Protection (GCEP), which reports to the Ministry of Municipal and Rural Affairs and the Environment. Currently, Jordan is in the process of drafting and approving environmental "bylaws,"⁵ pursuant to its environmental protection law. As of September 2000, Jordan had promulgated four of 16 proposed major environmental bylaws. They address GCEP, noise pollution, management and transport of hazardous waste, and marine resources and coastline protection. The GOJ has drafted, but not yet approved, six additional bylaws, and is in the process of drafting six others. The GOJ

⁵Bylaws in Jordan are akin to U.S. regulations.

recognizes that in order to ensure the sustainable development of its economy, Jordan must continue to develop its environmental regulatory structure and to strengthen its means for ensuring compliance with and enforcement of its environmental laws and regulations.

This summer, the GOJ decided to create a new free-standing Ministry of Environment to raise the level of decision-making on environmental policy, remove the environmental protection function from the ministry responsible for municipalities, consolidate and enhance coordination of environmental policy and planning, and improve monitoring and enforcement of environmental standards.

Jordan is a party to almost all key international global environmental agreements, including agreements that pertain to biodiversity, climate change, desertification, endangered species, hazardous wastes, the law of the sea, marine dumping, nuclear test ban, ozone layer protection, and wetlands. (See Annex II for a complete list of international environmental agreements to which Jordan is a party.)

As part of the Middle East peace process, Jordan is a core member of the Working Group on the Environment, which focuses on regional environmental issues. Jordan has entered into an agreement with Israel on “Cooperation in Environmental Protection and Nature Conservation,” as part of the Israel-Jordan peace treaty.

Jordan also is supportive of various non-governmental environmental efforts. For example, Amman was selected to host the International Union for the Conservation of Nature’s global congress in October of this year, which will be the first major conservation event of the new millennium and will define key conservation goals for the new century. Jordan has a number of environmental non-

governmental organizations (NGOs), and the GOJ encourages their active participation in government decision-making. In fact, the presidents of four environmental NGOs – the Royal Society for the Conservation of Nature, the Jordan Environment Society, the Royal Scientific Society, and the Jordanian Society for Combating Desertification and Badia Development -- sit on Jordan's Environmental Council. The Council *inter alia* approves Jordan's general environmental protection policies and environmental standards and specifications, and deliberates on all environmental matters.

Jordanian Environmental Review Process

Jordan's *Environmental Law No. 12 of 1995* requires that the GOJ take environmental considerations into account when undertaking economic development activities within the country. Jordan is in the process of conducting an environmental review, including on the national, regional, and transboundary environmental effects of the FTA. The GOJ also is using its review process to explore environmental issues writ large to inform the development of the environmental agenda of Jordan's soon-to-be-established free-standing Ministry of Environment. The U.S. Agency for International Development has provided the GOJ with technical assistance on this review.

The GOJ has solicited public input on its environmental review. Through notices published in leading Arabic and English newspapers, including the *Jordan Times*, on July 10 and 12, the GOJ provided an opportunity for public comment on the environmental aspects of the FTA. On July 13, the GOJ convened a public consultation meeting, which was attended by more than 100 individuals.

SCOPING

The scoping process involves the identification of significant issues to be analyzed in depth in a written environmental review, along with the elimination from detailed study of those issues which are not significant or that have been covered by other reviews.

Public Outreach and Comments

As mentioned above, during the week of June 6, 2000, President Clinton and King Abdullah II decided to enter into negotiations on an FTA. USTR officials immediately contacted the leadership of the Trade and Environment Policy Advisory Committee (TEPAC), as well as representatives of several environmental NGOs, to brief them on the impetus behind the proposed agreement, and on the Administration's intention to conduct an environmental review of the FTA and to include environmental provisions within its body.

On June 15, 2000, USTR issued a *Federal Register* notice (65 *Fed. Reg.* 37594) to announce the Administration's plan to negotiate an FTA with Jordan and to conduct an environmental review of the proposed agreement. The notice requested public comment by July 17, including on the possible environmental effects of the FTA. On June 28, USTR issued a second *Federal Register* notice (65 *Fed. Reg.* 37976) announcing the initiation of the environmental review and requesting public comment by July 17 on its scope.

Over the course of the last four months, USG officials, including at the Cabinet level, have consulted regularly with environmental and other advisors, representatives of environmental NGOs, members of Congress and their staff, representatives of state governments, and members of the U.S. business community, on the FTA, including on the U.S. environmental review of the agreement. These consultations have taken the form of briefings, workshops, and other exchanges. On June 30, 2000, USG officials organized a meeting for the Jordanian environmental negotiator with representatives of several U.S. environmental NGOs to facilitate an exchange on the FTA environmental elements, including the Parties' environmental review processes. On September 15, Jordanian and U.S. officials met with majority and minority staff for the Committee on Ways and Means' Subcommittee on Trade, as well as with other interested congressional staff, to discuss the environmental aspects of the FTA, including the processes that the USG and the GOJ are using to conduct their respective environmental reviews. While in Jordan, USTR Charlene Barshefsky discussed the FTA environmental elements, including the Parties' environmental review processes, with representatives of several Jordanian environmental NGOs, including the International Union for the Conservation of Nature, the National

Environment and Wildlife Society, the Royal Society for the Conservation of Nature, Friends of the Earth, and the Jordanian Royal Ecological Diving Society.

In response to the July 17, 2000 *Federal Register* notice, USTR received a number of comments on the U.S. review of the environmental effects of the FTA. Several of these noted that the U.S.-Jordan FTA and the environmental review of this agreement would serve as a good trial run of Executive Order 13141. More specifically, regarding the scope of the U.S. review, one set of comments recommended that the scoping phase should begin by canvassing the areas of commerce that could be or are likely to be affected by the FTA; the potential impacts on U.S. and Jordanian environmental statutes and regulations, and other binding obligations; the potential local and regional impacts on air pollution in Jordan and the United States; and the potential impacts on the globally scarce resources of coral reefs due to increased transport in the Gulf of Aqaba and in the Red Sea. One comment recommended that the review not reflect a tendency to emphasize the possible environmental problems from trade agreements, thereby de-emphasizing potential environmental benefits from expanded trade and economic activity. Finally, one comment noted that, given the small amount of trade involved, the review should be simple, without a detailed quantitative assessment.

Effects in the United States

Section 5(b) of Executive Order 13141 provides that, “as a general matter, the focus of environmental reviews will be impacts in the United States.” Accordingly, this draft review considers environmental

impacts in the United States from changes in trade flows and commitments that are expected to result from the proposed FTA.

To identify the FTA's impact in the United States, the USITC prepared qualitative and quantitative analysis of possible economic effects of the FTA on U.S. imports, exports, production, and employment. The USITC's sector selection process for its qualitative analysis consisted of examination of U.S. trade flows (exports and imports of goods and services) with Jordan and Jordan's trade flows with the world. USITC industry analysts also provided assessments of whether certain industries merited further examination. Using this input, the USITC selected 16 sectors for more in-depth analysis: live animals, animal and vegetable oils and fats, cereals (wheat, rice, and corn), electronics, fertilizers, citrus fruit and juices, nuts, iron and steel mill products, jewelry, machinery and transportation equipment, crude petroleum, pharmaceuticals, phosphates, potash, textiles and apparel, and vegetables. In its quantitative analysis, the USITC selected three major categories of U.S. exports to Jordan based on data availability to conduct a comparative static, partial equilibrium analysis on the impact of the U.S.-Jordan FTA. These three major categories were cereals (other than wheat), electrical machinery, and machinery and transportation equipment.

The environmental effects analysis described below is derived from the USITC's economic effects analysis. This draft review also considers the environmental legal and regulatory effects of the FTA in the United States.

Global and Transboundary Effects

Section 5(b) of Executive Order 13141 also provides that, “as appropriate and prudent, reviews may also examine global and transboundary impacts.” Whether consideration of global and transboundary impacts is appropriate is a determination made on a case-by-case basis, with due consideration given to environmental, methodological, diplomatic, and other considerations. In this instance, in considering possible global and transboundary impacts, the USG took into consideration a number of factors: the lack of shared borders with Jordan, the significant geographic distance between the two Parties to the FTA, the *de minimis* anticipated environmental effects of the FTA in the United States, the Jordanians’ own commitment to full consideration of environmental effects of the FTA in Jordan and in the Middle East region, and the comments submitted by the TEPAC, environmental NGOs, business interests, and other interested member of the public on the scope of the U.S. environmental review. As stated above, some of the public comments suggested that the USG consider potential effects on the laws and regulations of both countries, water resources and quality issues, and air pollution and coral reefs in both countries and the Middle East region. Federal agency representatives to the TPSC Subcommittee on Environment and Natural Resources also initially identified possible global and transboundary areas of concern, specifically, the effects of the FTA in Jordan and the Middle East region on migratory species, protected areas, endangered species trade, and water.

The GOJ’s environmental review, which is being developed in close cooperation with the U.S. Agency for International Development, is expected to discuss environmental issues, including water, air, and

marine resources; to make specific reference to the coral reefs in the Gulf of Aqaba; and to cover regional and transboundary effects. In considering air pollution, the Jordanian review process is expected to explore potential environmental effects of possible increased industrial activity, which can influence greenhouse gas emissions and climate change. (The United States and Jordan are Parties to the Framework Convention on Climate Change.) In light of the Jordanian review process, and USG assessment of the relationship between the proposed agreement provisions and the environmental issues discussed above, it was determined that the scope of the U.S. review with respect to consideration of global and transboundary issues would focus on endangered species trade, migratory birds, and protected areas, which are not expected to be covered in the Jordanian review process.

ANALYSIS

Economic Effects in the United States

On June 14, 2000, USTR requested that the USITC provide advice as to the economic impact on the United States of an FTA with Jordan. On July 31, the USITC provided its analytical results for the sectors in the United States that had been identified as potentially experiencing significant economic effects from the FTA. Through qualitative and quantitative analysis, the USITC found that the FTA would have no measurable impacts on total U.S. imports, total U.S. exports, U.S. production, or U.S. employment.

As described above, the USITC's sector selection process for its qualitative analysis consisted of the examination of U.S. trade flows (exports and imports of goods and services) with Jordan and Jordan's trade flows with the world. USITC industry analysts also provided assessments of whether specific industries merited further examination. Using this input, the USITC selected 16 sectors for more in-depth analysis: live animals, animal and vegetable oils and fats, cereals (wheat, rice, and corn), electronics, fertilizers, citrus fruit and juices, nuts, iron and steel mill products, jewelry, machinery and transportation equipment, crude petroleum, pharmaceuticals, phosphates, potash, textiles and apparel, and vegetables. The USITC's findings indicated that the FTA would have no measurable impacts on total U.S. imports, total U.S. exports, U.S. production, or U.S. employment for these 16 sectors.

The USITC cited only the apparel sector as potentially increasing U.S. bilateral imports from Jordan. Some quantity of fabric that is currently cut in Israel, sewn in Jordan, and then exported back to Israel for duty free export to the United States under the U.S.-Israel FTA may be exported in one form or another to the United States directly from Jordan once the U.S.-Jordan FTA is in place. Though such shifting would increase U.S. *bilateral* imports from Jordan, it would not increase U.S. *global* imports. The USITC's findings therefore showed that while bilateral apparel imports from Jordan may increase, overall U.S. apparel imports in this sector would not measurably change.

In its quantitative analysis, the USITC selected three major categories of U.S. exports to Jordan based on data availability to conduct a comparative static, partial equilibrium analysis on the impact of the U.S.-Jordan FTA. These three categories were cereals (other than wheat), electrical machinery, and

machinery and transportation equipment. Although the USITC's findings indicated that exports to Jordan would increase in each of these categories, the increases were extremely small when compared to total U.S. exports in these sectors, and therefore were expected to have no measurable impacts on total U.S. exports, U.S. production, or U.S. employment. For the cereal (other than wheat) category, U.S. exports to Jordan were estimated to increase by 14 percent (\$2.9 million). This increase however accounted for only .04 percent of U.S. 1998 exports in this category (\$6.5 billion). For the electrical machinery category, U.S. exports to Jordan were estimated to roughly double (by \$22.1 million), however, again accounting for a tiny share (.02 percent) of overall exports of this category (\$94.2 billion). For the machinery and transportation equipment category, U.S. exports to Jordan were estimated to increase by 39 percent (\$48.2 million), once more accounting for a tiny share (less than .02 percent) of overall U.S. exports of this category (\$272.6 billion).

The USITC report on the economic impact on the United States of the U.S.-Jordan FTA -- Economic Impact on the United States of a U.S.-Jordan Free Trade Agreement (Inv. No. 332-418), USITC Publication 3340, September 2000 -- is available to the public on the USITC's website -- <ftp://ftp.usitc.gov/pub/reports/studies/pub3340.pdf>.⁶

Environmental Effects

⁶The USTR declassified this USITC report following a determination that its release at this time would not compromise U.S. negotiating positions or leverage. The USTR's decisions on classification of such reports requested under section 332(g) of the Tariff Act of 1930 are made on a case-by-case basis, taking into consideration the need to preserve and maximize the USG's present and future negotiating positions and leverage, as well as other national security concerns.

In the United States

As described above, in assessing the economic effects of the FTA with Jordan, the USITC found that the FTA would have no measurable impacts on total U.S. imports, total U.S. exports, U.S. production, or U.S. employment. Therefore the USG expects that the environmental effects in the United States resulting from the changes in trade flows with Jordan as a result of the FTA will be *de minimis*. While it is conceivable that there may be instances in which environmental effects are concentrated regionally or sectorally in the United States, the USG could not identify any such instances. In sum, the USG expects that the FTA with Jordan will not have any significant environmental effects in the United States.

Transboundary and Global

The USG considered possible transboundary and global environmental effects of the U.S.-Jordan FTA on trade in endangered species, migratory birds, and protected areas. Each of these is addressed in a widely subscribed multilateral agreement with global coverage to which the United States and Jordan are both Parties: the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the Convention on Wetlands of International Importance especially as Waterfowl Habitat (Ramsar Convention), and the Convention Concerning the Protection of World Cultural and Natural Heritage. The USG is not aware of any evidence that illegal trafficking in endangered species

has been a problem with Jordan, and on that basis, found that nothing in the Jordan FTA would increase the possibility that such trafficking would become a problem. The USG focused on proposed tourist services provisions in the FTA as possibly relevant to migratory birds and protected areas. As the proposed FTA provisions liberalize such services only with respect to foreign investment in tourist restaurants, the USG is not aware of any evidence that would suggest that these proposed provisions would have a significant environmental effect on migratory birds or protected areas. The FTA's proposed environmental provisions may positively affect migratory birds and protected areas, as well as other environmental issues, *e.g.*, by encouraging the Parties to improve their levels of environmental protection and to effectively enforce their environmental protection laws and regulations.

Legal and Regulatory Effects

The process for developing the FTA provisions and the U.S. environmental review of this agreement has included consideration of whether the agreement will affect the ability of the USG to establish and enforce its environmental, health, and safety laws. The proposed agreement text has been drafted with attention paid to the need to preserve the USG's ability to maintain strong environmental laws and regulations and an effective process for enforcing them. As FTA negotiations proceed, the USG will continue to focus on this important objective.

Within the realm of trade obligations, those relating to sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT) can have particular significance for domestic regulatory practices concerning environment, health, and safety. The proposed FTA does not include SPS or TBT

provisions. The FTA therefore is not expected to negatively affect the USG's legal or regulatory authority or practices in that respect.

The proposed FTA environmental principles on maintaining high levels of environmental protection, not lowering environmental standards to promote trade, and each Party's right to establish its own level of domestic environmental protection help to maintain the USG's legal and regulatory discretion in the area of environmental protection.

The proposed FTA provisions on improving levels of environmental protection and effective enforcement of environmental laws and regulations, and the technical environmental cooperation initiative on priorities such as enforcement of environmental protection laws and regulations, encourage the Parties to improve their environmental protection regimes. Finally, transparency and public participation provisions, such as those under consideration in the FTA negotiations, are expected to facilitate effective development and enforcement of environmental laws and regulations.

Environmental Opportunities

The analysis done in the U.S. and Jordanian review processes, as well as the exchanges between the environmental negotiators, contributed to the identification of environmental opportunities. Specifically, the Parties are discussing a U.S.-Jordanian initiative outside of the FTA on technical environmental cooperation that will advance the two countries' shared environmental protection goals. This initiative is

expected to include specific projects focused on environmental priorities agreed upon by the two governments, including the need to enhance the GOJ's skill, knowledge, and capacity in the area of development and effective enforcement of environmental laws and regulations. In addition to specific projects, the proposed U.S.-Jordanian technical environmental cooperation initiative provides for the establishment of a forum for ongoing dialogue between the two governments on agreed upon environmental priorities. This dialogue, coupled with regular government-to-government discussions provided for in the FTA on the implementation of provisions in the agreement, will deepen and formalize the relationship between the U.S. and Jordanian Governments on environmental issues. This ongoing relationship will provide the means for the United States and Jordan to consider environmental issues as they arise, including those that the governments may not foresee at this time.

CONCLUSION

This draft environmental review of the effects of the U.S.-Jordan FTA was prepared pursuant to Executive Order 13141 – Environmental Review of Trade Agreements, 64 Fed. Reg. 63,169 (Nov. 18, 1999), by USTR through the Subcommittee on Environment and Natural Resources of the TPSC. Due to the Administration's wish to contribute in the short term to the Middle East peace process through the conclusion of an FTA with the GOJ, and the support voiced by many members of Congress to conclude the agreement as soon as possible so as to achieve this goal, the USG used an expedited time table for both the negotiation of the agreement and the development of the draft environmental review.

The key findings of this draft review and of the USITC's report on the impact on the United States of the U.S.-Jordan FTA concern the economic, environmental, and legal and regulatory effects of this agreement. In determining the scope of this draft environmental review, the USG considered effects in the United States, as well as global and transboundary issues.

On economic effects, through qualitative analysis of 16 sectors selected on the basis of trade flows and industry input, and quantitative (partial equilibrium) analysis of three categories of U.S. exports to Jordan, the USITC found that the FTA would have no measurable impacts on total U.S. imports, total U.S. exports, U.S. production, or U.S. employment.

On environmental effects, the USG expects that the FTA will not have any significant environmental effects in the United States. While it is conceivable that there may be instances in which environmental effects are concentrated regionally or sectorally in the United States, the USG could not identify any such instances.

With respect to the FTA's transboundary and global environmental effects, in determining the scope of the U.S. environmental review, the USG considered the agreement's potential effects on laws and regulations, water resources and quality, air pollution and greenhouse gas emissions, coral reefs, trade in endangered species, migratory birds, and protected areas. Based on a number of considerations, including the GOJ's commitment to cover in its review the environmental effects of the FTA in Jordan and the Middle East region, including on water, air, industrial activity (which could affect greenhouse gas emissions), coral reefs, and environmental laws and regulations, the USG focused on the transboundary and global effects of the FTA on trade in endangered species, migratory birds, and protected areas. The USG is not aware of any evidence that would suggest that the proposed FTA provisions would have a significant negative environmental effect on Jordan's record on trade in endangered species, or on migratory birds or protected areas.

On legal and regulatory effects, the U.S. environmental review process has included consideration of whether the agreement would affect the ability of the USG to establish and enforce its environmental, health, and safety laws. The review found that the proposed FTA includes provisions that help to maintain the USG's current legal and regulatory discretion in the area of environmental protection.

Moreover, the proposed FTA encourages the Parties to improve their environmental protection regimes. As FTA negotiations proceed, the USG will continue its focus on the need to preserve its ability to maintain strong environmental laws and regulations and an effective process for enforcing them.

The analysis done in the U.S. and Jordanian review processes, as well as the exchanges between the environmental negotiators, contributed to the identification of environmental opportunities. Specifically, the Parties are discussing a U.S.-Jordanian initiative outside of the FTA on technical environmental cooperation that will advance the two countries' shared environmental protection goals.

The USG looks forward to public comment on this draft review and to continuing its consultations with interested members of the public on environmental issues surrounding the U.S.-Jordan FTA.

ANNEX I

Background on Jordan's Geography, Environment, and Economy

Geography

Jordan is a small country, located near the northeastern edge of the Arabian peninsula, with an area of 89,213 square kilometers (slightly smaller than Indiana) and a coastline of 26 kilometers along the Gulf of Aqaba. Jordan has a population of approximately five million people. The country is bounded to the north by Syria, to the northeast by Iraq, to the east and south by Saudi Arabia, and to the west by Israel. Jordan has three major geographic zones: the Jordan Rift Valley which runs down the western side of the country and is the main agricultural area; the Mountainous Region, where most of the main towns are located and where 90 percent of Jordan's population resides; and the Eastern Desert (Badia), which stretches east into Syria, Iraq, and Saudi Arabia.

Environment

The most common ecosystems in Jordan are deserts in the east and south, bush steppe in the Mountainous Region and in the northeast Badia, and steppe grasslands and Mediterranean scrub in the Mountainous Region. Juniper and oak woodlands are found at higher elevations in the mountains, as are planted pine forests. Wetlands, some of which are important stopovers for migratory birds, are located in the vicinity of several bodies of water and seasonal marshes throughout the country. The

Gulf of Aqaba contains some of the northernmost coral reefs and mangrove stands in the world. The Gulf supports over 1,000 species of fish.

Only about 10 percent of the total land area (primarily in the Jordan Valley and the Mountainous Region) is cultivable. Most of the intensive fruit and vegetable production depends on irrigation.

The GOJ has identified the following as primary environmental issues: (1) capacity and institution building; (2) water supply; (3) wastewater treatment; (4) air quality; (5) municipal solid waste; (6) industrial and hazardous waste; (7) land resources; (8) coastal and marine resources; and (9) “unique resources,” such as the Dead Sea. In addition to institutional issues, the most pressing environmental issue in Jordan is the lack of adequate water resources.

Economy

Jordan's economy and population are considerably smaller than those of the United States. Jordan's Gross Domestic Product (GDP) was \$7.0 billion in 1998, which is less than 1/1000 the size of the U.S. GDP for 1998 at \$8.8 trillion. Jordan's per capita GDP in 1998 was \$1,594, which is less than 1/20 the amount of U.S. per capita GDP of \$32,377 in 1998.

Jordan's global goods trade is small when compared to that of the United States. Jordan's goods trade with the world totaled more than \$5.1 *billion* in 1999 -- \$1.4 billion of exports and approximately \$3.7

billion of imports. U.S. trade with the world was valued at \$1.7 *trillion* in 1999 -- \$695.8 billion of exports and \$1.0 trillion of imports. U.S. bilateral trade with Jordan is extremely small, compared to U.S. world trade. Valued at \$276 million in 1999, U.S. goods exports to Jordan accounted for roughly 0.04 percent of U.S. goods exports to the world.¹ Valued at \$31 million in 1999, U.S. goods imports from Jordan amounted to roughly 0.003 percent of U.S. goods imports from the world.²

Among U.S. global export markets, Jordan ranked 81st in 1999, and among global sources of imports into the United States, Jordan ranked 131st. In contrast, in 1999, the United States was the second largest exporter to Jordan (behind Iraq), accounting for 9.8 percent of Jordan's imports from the world. The United States is not a major export market for Jordanians goods: in 1999, only 0.9 percent of Jordan's exports to the world went to the United States. In 1999, the EU was the second largest (non-individual country) export market for Jordanian goods, absorbing 12 percent of Jordan's exports valued at \$169 million. The same year, 35 percent of Jordan's imports from the world valued at \$1.4 billion came from the EU, which was the largest (non-individual) country exporter to the Jordanian market.

¹The top four 2-digit HS categories for U.S. exports to Jordan in 1999 were: cereal (mostly wheat, rice and corn), \$52.1 million; machinery, \$37.4 million; aircraft parts, \$27.7 million; and edible oils, \$22.8 million. These categories accounted for more than half of U.S. exports to Jordan.

²Over 60 percent (\$18.5 million) of U.S. imports from Jordan 1999 were in a special category for products sent to the United States for repairs. Of the remaining \$12.5 million of imports, the top four categories for U.S. imports from Jordan in 1999 were as follows: jewelry, \$4.5 million; woven apparel, \$1.8 million; art and antiques, \$0.8 million; and carpets, \$0.7 million.

ANNEX II

Multilateral Environmental Agreements to which Jordan is a Party

(dates of entry into force noted in parentheses)

Constitution of the Food and Agriculture Organization of the United Nations (1/23/1951)

International Convention for the Prevention of Pollution of the Sea by Oil, 1954, as amended in 1962 and 1969 (8/8/1963)

International Plant Protection Convention (4/24/1970)

Convention of the International Maritime Organization (11/9/1973)

Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter (8/30/1975)

Convention Concerning the Protection of the World Cultural and Natural Heritage (12/17/1975)

Convention on Wetlands of International Importance especially as Waterfowl Habitat (5/10/1977)

Amendments to Annexes to the Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter concerning Incineration at Sea (3/11/1979)

Convention of International Trade in Endangered Species of Wild Fauna and Flora (CITES) (3/14/1979)

Amendments to the Annexes to the Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter (3/11/1981)

International Convention for the Safety of Life at Sea (SOLAS) (11/7/1985)

Protocol to amend the Convention on Wetlands of International Importance especially as Waterfowl Habitat (10/1/1986)

Amendment to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (art. XI) (4/13/1987)

Convention for the Protection of the Ozone Layer (8/31/1989)

Protocol on Substances that Deplete the Ozone Layer (8/30/1989)

Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (5/5/1992)

Convention on Biological Diversity (2/10/1994)

Amendment to the Montreal Protocol on Substances that deplete the Ozone Layer (2/10/1994)

Framework Convention on Climate Change (3/21/1994)

Amendment to the Montreal Protocol on Substances that deplete the Ozone Layer (9/28/1995)

United Nations Convention on the Law of the Sea (11/27/1995)

Agreement relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982 (7/28/1996)

International Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa (12/26/1996)